

## USDA's Office of Inspector General Investigation Developments

**December 13, 2013**

### **Illegal Use of Government Credit Cards by FS Employee - Wisconsin**

On October 1, 2013, in U.S. District Court in Wisconsin, a former FS employee was sentenced to serve 4 months of home confinement, followed by 60 months of probation, and was ordered to pay \$7,800 in restitution to FS. USDA OIG's investigation determined that the employee stole and converted to his own use numerous Government prepaid credit cards intended for student employees to pay travel expenses. He used the stolen credit cards at various gas stations and retail stores to buy gasoline and other supplies for his personal truck and race car. He was removed from his employment with FS in November 2011, and he pled guilty to theft of Government funds in April 2013.

### **WIC Fraud by Store Manager - Georgia**

On October 7, 2013, in U.S. District Court in Georgia, a store manager who fraudulently purchased Federal nutrition vouchers for cash was sentenced to 18 months in prison, followed by 36 months of probation, with the first 5 months to be served on home confinement; she was also ordered to pay \$195,200 in restitution to the Georgia Department of Public Health. Between October 2010 and January 2012, USDA OIG's investigation disclosed that the manager deposited approximately \$170,000 worth of vouchers issued through the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), while purchasing only \$31,000 worth of eligible food items. She also sold fraudulent social security cards and Georgia driver's licenses through the store.

### **Illegal Sale of Property Mortgaged to FSA - Oklahoma**

On October 8, 2013, in U.S. District Court in Oklahoma, a farmer who sold property mortgaged to the Farm Service Agency (FSA) was sentenced to 60 months' probation, 6 months of home confinement, and was ordered to pay \$44,200 in restitution to FSA. Between August 2010 and June 2012, USDA OIG's investigation determined that the man sold approximately 30 head of FSA-mortgaged cattle without FSA authorization. He had been charged with unauthorized disposition of mortgaged property and pled guilty to the charge.

### **Major SNAP Fraud by Owners and Employees in Multiple Stores - California**

On October 21, 2013, in U.S. District Court in California, a husband and wife who owned six stores that engaged in SNAP trafficking were sentenced to 40 months and 18 months in prison, respectively, and were also ordered to share in paying \$6.5 million in restitution to FNS. USDA OIG's investigation determined that the owners and employees of these stores, as well as one additional store under different ownership, exchanged SNAP benefits for cash. OIG and three agencies<sup>[1]</sup> conducted searches that resulted in the seizure of approximately \$338,000 from the stores' cash, bank accounts, and the defendants' residence. The couple pled guilty to conspiracy and food stamp fraud. They agreed to forfeit the aforementioned currency, plus five pieces of property and a vehicle.

### **Fraud Involving FSA Loans and *Keepseagle* Charges - Montana**

On October 21, 2013, in U.S. District Court in Montana, a farmer was convicted of conversion of secured property and was sentenced to 12 months' incarceration and ordered to pay FSA \$162,800 in restitution. The farmer was charged in April 2013 with false claims involving the *Keepseagle* settlement, conversion of secured property, and false writing involving Federal agricultural loans. He pled guilty to the conversion. USDA OIG's investigation determined that the farmer provided false information to FSA to obtain a new \$65,000 operating loan and restructure six other FSA loans for a combined total of \$258,400. The OIG investigation revealed he and his wife had converted more than \$162,000 in collateral mortgaged to FSA over a five year period. In addition, he filed a

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<sup>[1]</sup> IRS-Criminal Investigation (CI), the San Bernardino Police Department, and the San Bernardino County Department of Human Services.

false claim of discrimination under the *Keepseagle* law suit, which resulted in his receipt of a \$50,000 payment and the cancellation of approximately \$247,000 in outstanding debts. In November 2013, a complaint was filed against the farmer in U.S. District Court for his false claim of discrimination under the *Keepseagle* lawsuit.

### **SNAP Fraud by Employee and Storeowner - Philadelphia**

On October 1, 2013, in U.S. District Court in Pennsylvania, an employee of a Philadelphia supermarket who trafficked in Supplemental Nutrition Assistance Program (SNAP) benefits was sentenced to 12 months in prison, and was ordered to pay approximately \$2.3 million in restitution. The investigation by USDA OIG agents and the Internal Revenue Service (IRS) disclosed that this employee and the owner of the supermarket exchanged SNAP benefits for cash. The employee pled guilty to SNAP fraud charges. The store owner pled guilty to counts of SNAP fraud, money laundering, and conspiracy, and is scheduled to be sentenced in January 2014.

### **Producer Sentenced for Crop Insurance Fraud, Money Laundering, and Weapons Charges - North Carolina**

On October 31, 2013, in U.S. District Court in North Carolina, a producer who committed crop insurance fraud was sentenced to six years of incarceration and was ordered to pay over \$1 million in restitution. USDA OIG's investigation began as a spinoff from another wide-reaching tobacco crop insurance fraud investigation. The USDA OIG investigations disclosed that the main subject in the other investigation helped this producer sell and hide tobacco production from his Federal crop insurance claim. Further investigation revealed that during a 4-year period, this individual committed crop insurance fraud involving tobacco, soybeans, and wheat crops that exceeded \$1 million. A search of his property discovered multiple firearms and ammunition, which he was prohibited from owning since he was a convicted felon. On two occasions, he threatened to kill USDA-OIG agents and any other law enforcement officers if they came onto his property. He was charged with 26 counts including conspiring to make false statements/mail and wire fraud, false statements in connection with Federal crop insurance/crop disaster relief, aggravated identity theft, money laundering, retaliating against a Federal official, and being a felon in unlawful possession of firearms and ammunition. He pled guilty to, in brief, one count for each of the aforementioned individual charges. He has been under detention since June 2012.

### **Theft and Fraud by Executive Director of Child Development Center - New York**

On October 1, 2013, in U.S. District Court in New York, the executive director of a child development center who misappropriated funds for feeding children was sentenced to 57 months in prison and 300 hours of community service. She was also ordered to pay \$2.2 million in restitution (jointly and severally with her husband) and a fine of \$100,000. Shortly thereafter, her husband (who had been in custody for the past 13 months) was sentenced to 36 months of probation, including 12 months' home confinement with electronic monitoring, and 300 hours of community service. He was also ordered to pay \$2.2 million in joint and several restitution, and fined \$7,500. In addition, the couple was ordered to forfeit \$3 million seized during the investigation. USDA OIG's investigation, initiated from a referral from OIG's Audit Office, determined that the executive director submitted fraudulent eligibility paperwork to inflate the number of children eligible for free and reduced-price meals through the Child and Adult Care Feeding Program (CACFP) and also inflated meal counts on CACFP claims for restitution. She also engaged in a conflict of interest by using CACFP funds to pay for supplies from a company operated by her husband and misappropriated CACFP funds to pay for personal expenses. The child development center had participated in CACFP since 2002 and collected reimbursements for meals served totaling approximately \$13.2 million.<sup>1</sup>

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<sup>1</sup> This investigation was conducted jointly with IRS-CI, the Nassau County Police Department, and the New York State Department of Health.

### **Fraud Related to Deepwater Horizon Fund Leads to Guilty Pleas - Oregon**

On October 28, 2013, in U.S. District Court in Oregon, a Portland couple was sentenced for their roles in fraudulently obtaining several kinds of Government benefits and assistance from the Deepwater Horizon Oil Spill fund. The man was sentenced to five years' probation, 4 months of home confinement, and was ordered to pay \$21,000 in restitution. The woman was sentenced to two years' probation and was ordered to pay \$21,000 in restitution. USDA OIG's investigation determined that the man defrauded the Deep Water Horizon Oil Spill fund and the woman filed false information to receive SNAP and other benefits. The woman pled guilty to a felony count of false statements related to her application for SNAP and housing benefits, and the man pled guilty to felony mail fraud.

### **Store Owner Sentenced in SNAP Fraud Conspiracy - New York**

On October 25, 2013, in U.S. District Court in New York, the store owner of a Bronx food market who trafficked in SNAP benefits was sentenced to 24 months in prison and was ordered to pay \$954,900 in restitution. USDA OIG's investigation disclosed that the store owner and an employee of the food store, as well as the owner and an employee of a related store in the same shopping center, exchanged SNAP benefits for cash at a discount. The owners and employees of the respective stores were arrested on charges of conspiracy to commit food stamp fraud and theft of Government funds. The store employees pled guilty and are scheduled to be sentenced in early 2014. Criminal action is pending against the related store owner.

### **False Statements by Farmer in Connection with CCC Loan - North Carolina**

On October 31, 2013, in U.S. District Court in North Carolina, a farmer who falsely claimed to have a large quantity of soybeans stored as collateral to secure a Commodity Credit Corporation (CCC) loan was sentenced to 12 months' incarceration after he failed to comply with the requirements of a pre-trial diversion agreement. OIG's investigation determined that, during a farm visit by an FSA employee to verify the quantity and quality of soybeans securing a loan for \$272,986, the farmer took steps to create the illusion that a grain bin was filled with more than 54,000 bushels of soybeans, when the bin was actually empty. He submitted false lien waivers in connection with his loan application. He had agreed to a pre-trial diversion agreement in April 2011, including a \$50,000 fine and other conditions. His pre-trial diversion was revoked after his failure to comply with the terms of the agreement. He pled guilty to making false statements in connection with a CCC loan.

### **Employees in Conspiracy to Commit SNAP Fraud - Connecticut**

On October 7, 2013, in U.S. District Court in Connecticut, an employee of a food store in Hartford that trafficked in SNAP benefits was sentenced to 3 months of home confinement, 36 months of probation, and was ordered to pay \$330,500 in restitution. USDA OIG's investigation disclosed that this employee and another employee exchanged SNAP benefits for cash and ineligible items on multiple occasions. Both employees were arrested and pled guilty to conspiracy to commit food stamp fraud. The other employee is awaiting sentencing. This investigation was conducted jointly with the Connecticut Chief State's Attorney's Office.

### **WIC Fraud by County Employee - Oklahoma**

On September 24, 2013, in an Oklahoma county court, an employee at a county health department which administers the WIC program was sentenced to a deferred sentence of 60 months. She was also ordered to pay \$2,800 in restitution and complete 50 hours of community service. USDA OIG's investigation revealed that the employee negotiated WIC food instruments belonging to clients and converted them to her own use. She was charged in June 2013 with embezzlement of State property. She pled guilty to the charge.